

## FAST FACTS

- ◆ Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions.
- ◆ An access device is a means of gaining access to your account, such as a card or a code, for the purpose of initiating EFTs. Most institutions use a personal identification number (PIN) for this purpose.
- ◆ Take care of your EFT card. Know where it is at all times and report its loss as soon as possible.
- ◆ Choose a PIN different from your address, telephone number, social security number, or birth date.
- ◆ Keep and compare your EFT receipts with your periodic statements so that you can find and promptly report errors and unauthorized transfers. Prompt reporting is necessary to limit your liability for these problems.

To most of us, electronic banking means having 24-hour access to cash through an automated teller machine (ATM) or having our paychecks deposited directly into our checking or savings accounts. But electronic banking offers several other services that you may find useful.

This brochure lists types of consumer transactions that are covered under the federal Electronic Fund Transfer Act (EFT Act), discusses the information financial institutions must disclose, explains what you can do if you find errors on your monthly statements, discusses your liability if your ATM card is lost or stolen, and describes your limited stop-payment privileges.

## ELECTRONIC FUND TRANSFERS

Electronic banking, also known as electronic fund transfer (EFT), uses computer and electronic technology as a substitute for checks and other paper transactions. Because EFTs are so convenient, you may wish to know the full range of their services.

**Automated Teller Machines or 24-hour Tellers** are electronic terminals that permit you to bank at almost any time of the day or night. To withdraw cash, make deposits, or transfer funds between accounts, you generally insert a special ATM card and enter your personal identification number (PIN).

**Direct Deposits or Withdrawals** allow you to authorize specific deposits such as paychecks and social security checks to go directly to your account on a regular basis. You also can arrange to have recurring bills, such as insurance premiums and utility bills, paid automatically. This service applies only if you authorize transactions in advance.

**Pay-by-Phone Systems** permit you to telephone your bank (or other financial institutions) with instructions to pay certain bills or to transfer funds between accounts. You must have an agreement in advance with the financial institution to make such transfers.

**Point-of-Sale Transfers** allow you to pay for retail purchases with an EFT (or "debit") card. This is similar to using a credit card, but with one important exception -- the money for the purchase is transferred immediately (or soon thereafter) from your bank account to the store's account. Both MasterCard and Visa, among others, offer debit cards that can be used at participating retailers, and an increasing number of merchants are accepting this type of payment. For example, these transfers are becoming more common at grocery stores, oil companies, and convenience stores. However, because point of sale transfers are still relatively new, they might not yet be widely available at retailers in your region of the country.

## DISCLOSURES

The best way to understand your legal rights and responsibilities regarding your EFT account is to read the documents you receive from the financial institution that issued you the "access device." An access device is a card, code, or other means of gaining access to your account for the purpose of initiating electronic fund transfers. The means may vary from institution to institution, but most use a PIN for this purpose. This unique number should be known only to you and to select employees of the financial institution.

Before you contract for EFT services or make your first electronic transfer, the institution is required to disclose to you the following information in a form you can keep.

- ◆ A summary of your liability for unauthorized transfers.
- ◆ The telephone number and address of the person to be notified when you believe that an unauthorized transfer has been or may be made, along with a statement of the institution's "business days." This information will tell you the number of days you have to report suspected unauthorized transfers.
- ◆ The type of transfers you can make, the amount of any charges for transfers, and any limitations on the frequency and dollar amount of transfers.
- ◆ A summary of your right to receive documentation of transfers, of your right to stop payment on a pre-authorized transfer, and the procedures to follow to stop payment.
- ◆ A notice describing the procedures you must follow to report an error on a receipt for an EFT, how to request more information about a transfer listed on your statement, and the time period in which you must make your report.
- ◆ A summary of the institution's liability to you if it fails to make or stop certain transactions.
- ◆ Circumstances under which the institution will disclose information to third parties concerning your account.

In addition to these disclosures, you will receive for most transactions two other types of important papers -- terminal receipts and periodic statements. (Separate rules apply to passbook accounts from which pre-authorized transfers are drawn. Your contract for that account is the best source of information about those rules.) You are entitled to a terminal receipt each time you initiate an electronic transfer, whether you use an ATM or make a point-of-sale electronic transfer. Among other things, the receipt must show the date and the amount of the transfer and the type of the transfer, such as "transfer from savings to checking." When you make a point-of-sale transfer, you probably will get your terminal receipt from the salesperson. If you make a withdrawal from a cash-dispensing machine that cannot issue receipts, the institution is required to mail you a receipt on the next business day following the transfer.

**New provisions to the EFTA**, effective immediately; compliance mandatory as of October 1, 2001, require ATM operators that impose a fee for providing electronic fund transfer services to post a notice in a prominent and conspicuous location on or at the ATM. The operator must also disclose that a fee will be imposed and the amount of the fee, either on the screen of the machine or on a paper notice, before the consumer is committed to completing the transaction. In addition, when the consumer contracts for an electronic fund transfer service, financial institutions are required to provide initial disclosures, including a notice that a fee may be imposed for electronic fund transfers initiated at an ATM operated by another entity.

You also are entitled to a periodic statement for each statement cycle in which an electronic transfer is made. This statement must show, among other things, the amount of any transfer, the date it was credited or debited to your account, the type of transfer and type of account(s) to or from which funds were transferred, and the address and telephone number to be used for inquiries. You are entitled to a quarterly statement even if you made no electronic transfers within that quarter.

Keep and compare your EFT receipts with your periodic statements each month in the same way you compare your credit card invoices with your monthly credit card statement or your checks against your monthly bank statements. Doing so will enable you to make the best use of your rights under federal law to dispute errors and avoid liability for unauthorized transfers.

## ERRORS

You have 60 days from the date a problem or error appears on your periodic statements or terminal receipt to notify your financial institution. The best way to protect yourself in the event of an error (or a lost or stolen ATM or EFT card) is to notify the issuer by certified letter, return receipt requested, so you can prove that the

institution received your letter. Keep a copy of the letter you send for your records.

After notification about an error on your statement, the institution has 10 business days to investigate and tell you the results. If the institution needs more time, it may take up to 45 days to complete the investigation -- but only if the money in dispute is returned to your account and you are notified promptly of the credit. At the end of the investigation, if no error is found, the institution may take the money back, if it sends you a written explanation.

If you fail to notify the institution of the error within 60 days, you may have little recourse. Under federal law, the institution has no obligation to conduct an investigation if you have missed the 60-day deadline.

If your failure to notify the institution within the time periods allowed was due to an extenuating circumstance, such as lengthy travel or illness, the issuer must extend the time period for notification to what is reasonable. Also, if state law or your contract imposes lower liability limits, those lower limits apply instead of the limits in the federal EFT Act.

After reporting the loss or theft of your ATM card, you are not liable for additional unauthorized transfers that may be made. Because these unauthorized transfers may appear on your statements, however, you should carefully review each statement you receive after you report the loss or theft. If the statement shows transfers that you did not make or that you need more information about, contact the institution immediately, using the special procedures provided for reporting errors.

### LIMITED STOP-PAYMENT PRIVILEGES

When you use an electronic fund transfer, the EFT Act does not give you the right to stop payment. If your purchase is defective or if your order is not delivered, it is up to you to resolve the problem with the seller and get your money back -- just as if you had paid cash.

There is one situation, however, in which you can stop payment. If you have arranged regular payments out of your account to third parties, such as life insurance companies, you can stop payment if you notify your institution at least three business days before the scheduled transfer. The notice may be oral or written, but the institution may require a written follow-up to be made within 14 days of the oral notice. Your failure to provide the written follow-up ends the institution's responsibility to stop payment. This right to stop payment does not apply to mortgage or loan payments you owe to the institution that issued the EFT access device.

Although federal law provides only limited rights to stop payment, individual financial institutions may offer more rights or state laws may require them. If this feature is important to you, you may want to shop around to be sure you are getting the best "stop payment" terms available.

### SUGGESTIONS

If you decide to become an EFT user, remember the following precautions.

◆ Take care of your EFT card. Know where it is at all times and report its loss as soon as possible.

◆ Choose a PIN different from your address, telephone number, social security number, or birth date. Choosing a different number will make it more difficult for a thief to use your EFT card.

◆ Keep and compare your EFT receipts with your periodic statements so that you can find and promptly report errors and unauthorized transfers.

If you believe the institution that issued your EFT access device has failed to fulfill its responsibilities to you under the EFT Act, in addition to informing the issuer, you may wish to complaint to the federal agency that has enforcement jurisdiction over that issuer

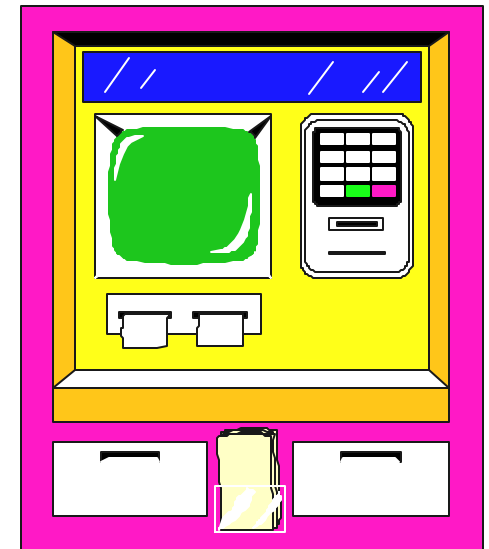
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The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Car Financing Scams  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit and Older Consumers  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
Indiana Uniform Consumer Credit Code  
Look Before you Lease  
Mortgage Loans  
Repossession  
Reverse Mortgage Loans  
Rule of 78s -- What is it?  
Scoring for Credit  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?



# ELECTRONIC BANKING



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